

“EMBRACING THE JANUARY FINANCIAL HANGOVER - BORROW WISELY AND ACCESS CREDIT RESPONSIBLY”

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IMMEDIATE RELEASE

Johannesburg –. The start of a new year offers a perfect opportunity to hit the reset button on your finances. After the festive season, it's common to feel the weight of overspending, but with the right approach, you can begin the year on a clean slate with a renewed sense of financial control. January is often regarded as one of the most financially challenging months, particularly for those consumers still recovering from the financial hangover caused by the festive season, says Lynette De Beer, Interim Chief Executive Officer at National Credit Regulator (NCR). The NCR implores all South African consumers who find themselves in that situation to borrow responsibly, and to avoid borrowing from unregistered credit providers.

The festive season typically involves considerable spending on parties, gifts, meals and travel. Most households often overspend during the holiday period, which can result in a reliance on credit. The financial burden of the holidays is exacerbated by the common practice of receiving an early salary in December, leading to an extended period of financial strain that can last several weeks into January.

For some consumers, there may be a need to borrow money to take care of January expenses such as school fees and uniforms, transport etc. “Consumers are reminded that credit is expensive, therefore they should only borrow when it is absolutely necessary to do so and only from credit providers registered with the National Credit Regulator” adds Ms. De Beer. Consumers are further advised to be vigilant of unregistered credit providers.

Such unregistered credit providers usually charge excessive interest rate that are not in line with the National Credit Act (NCA), do not conduct affordability assessments and use unlawful and prohibited tactics to collect on their debt such as retaining consumers' identity documents, bank cards / pin numbers, SASSA cards and others. In addition, they may charge consumers an upfront fee.

The NCR's 'Spend Wisely/Borrow Wisely' campaign aims to encourage consumers to manage their debts more responsibly and adopt healthy saving habits to avoid over indebtedness, adds Ms. De Beer.

She further explains that this national campaign rolled out by the NCR is focused on instilling healthy/responsible borrowing and saving habits among South Africans. In fact, the easiest way to maintain a good credit record is to live within your means, pay your debts in full and on time, avoid unnecessary credit and save money. Saving money is one of the essential aspects of building wealth, creating a financially secured future and providing options during emergency situations.

Putting aside a sum of money in a systematic manner can help you steer out of many hurdles and obstacles in life to avoid borrowing money from unregistered credit providers. It can support you in your hour of need and ensure that your family has something to fall back on in case of an unfortunate event.

Of South Africa's 28,15 million credit active consumers 20,77 million consumers are battling with debt repayment. Building a good credit history takes time and discipline, and it is essential for long-term financial health. Good credit is a privilege that must be earned, concludes Ms. De Beer.

Below are some tips to help consumers manage their debts more responsibly and ease into the year and beyond:

- Borrow as little money as possible. Borrowing to fund your children's education or a home loan can be a good thing, but borrowing for consumables, to pay off other debt or to fund luxuries such as holidays or designer clothing, can condemn you to a lifetime of debt. Only borrow for what you really need.
- Plan the repayments before you apply for a credit card, store card, overdraft, personal loan or any form of credit. Also take into consideration the interest and other charges as well as how this will affect your ability to save. Avoid paying over too many months as it will cost you more in the end.
- If there is credit insurance, familiarise yourself with the terms of the insurance to avoid surprises when you need the insurance the most.
- Be honest - make sure that you honestly disclose all the information required by the credit provider. Dishonesty may cause you to lose the protection offered by the NCA.
- Create a monthly budget and stick to it - work out how much income your family earns and what your total expenses are each month. Will you be able to pay for your new debt once you've covered all your expenses? You should also plan for unexpected costs such as if one of your family members is retrenched.
- Always keep receipts of your payments, as you might need these in the future.

- Start saving consistently - put aside at least 15% of your income every month in a safe investment. Save for your retirement as well.
- Pay your debts on time. Paying late will adversely affect your credit rating and possibly your ability to take out credit in the future. If you think you cannot meet your monthly instalments, call your credit provider immediately and try to re-arrange payments. Do not wait until you are in a bad position and have to skip payments.
- Prioritise your home loan.
- Check your credit report regularly. This way you'll be able to identify any errors and correct them. According to the NCA you are entitled to one free copy of your credit report each year from each of the 13 registered credit bureaus.

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ABOUT THE NATIONAL CREDIT REGULATOR

The National Credit Regulator is tasked with regulating the South African credit industry, ensuring fair practices, promoting responsible lending, and protecting consumer rights under the National Credit Act.